

- 2) Units data not individually identified - determine (1) the percent of revenue or income each state receives and (2) the percent of revenue or income designated GHQ, the prorate type(s), and the percent of revenue and income to be prorated using each prorate type.*

Complete the revenue and income distribution part of the form.

The GHQ Prorate Type Table identify the GHQ prorate types associated with the departmental expense accounts. (See Page 15)

GHQ PRORATE TYPE TABLE

PRORATE

TYPE	AA	AB	AI	AO	AP	AQ
MAIN	1320	6110,6120	6210,6220	6311	6341	6351
ACCOUNT		6115,6122	6212,6230			
		6116,6123	6215,6232			
		6124				

PRORATE

TYPE	AR	AS	AT	AU	AV	AW
MAIN	6362	6411	6421	6422	6423	6424
ACCOUNT						

PRORATE

TYPE	AX	AY	AZ	A1	A2	A3
MAIN	6426	6511,6512	6531,6534	6611	6621	6622
ACCOUNT			6532,6535	6612		
			6533	6613		

PRORATE

TYPE	A4	A5, A9	A6	A7
MAIN	6623	6711,6724	6726	7370
ACCOUNT		6712,6725		
		6721,6727		
		6722,6728		
		6723,7360		

MONTHLY UNITS DATA REPORTING

Data Provision

The Contract Administrator is responsible for tracking and providing units data. Units data must be provided on Form SW-2681 to the Manager-Affiliate Services (Billing), One Bell Center, 38-U-5, each month for determining billable amounts. The Contract Administrator may choose to develop a mechanized Form SW-2681 which does not follow the format of the official form exactly. These will be acceptable if the form is labeled SW-2681 and all of the necessary information is present. Form SW-2681 must be received by the Manager-Affiliate Services (Billing) no later than the fifteenth calendar day of the month following the month in which the service was provided. If the fifteenth calendar day falls on a weekend, Form SW-2681 must be received by the Manager-Affiliate Services (Billing) no later than the Monday following the fifteenth.

Form SW-2680 must be submitted with current pricing addendum before Form SW-2681 can be processed for billing.

Positive Reporting

Form SW-2681 must be provided by the billing due date even if there are no billing units to report for a specific month. The affiliate, schedule, and addendum numbers must be on the form with a statement of "NOTHING TO REPORT" or zeroes entered in the Units Provided field.

Data Estimation/Adjustments

If it is necessary to estimate units data, the Contract Administrator submits the estimate on Form SW-2681. The Contract Administrator is responsible for tracking actual versus estimated units and adjusting the next month's units to reflect any differences. The adjustment is made by submitting another Form SW-2681 (using original billing month) indicating additional charges or a credit for overestimated charges. Put a minus (-) or a plus (+) in front of the number of units. This indicates that you are subtracting from or adding to what was previously billed for that affiliate. The word 'ADJUSTMENT' must be on top of SW-2681.

Nonrecurring Charges or Special Charges

Form SW-2681 is also used to report the billing of nonrecurring (special) charges. For instance, travel expenses incurred while providing service, unforeseen additional one-time expenses, etc. These charges must be entered in the boxed in area at the bottom of the Form SW-2681 indicating description of special charges (see Page 19, H).

A Job Function Code (JFC) must be entered in the JFC field. The JFC should be that of the person performing the service or in effect related to that service. Only one JFC per special charge can be entered. The main account must be entered in the proper field. Note: The main account that is associated with a JFC may be found in the SATRN Account and Expenditure Dimension Guide.

**Instructions for Preparation of Form SW-2681, AFFILIATE BILLING DATA -
MONTHLY UNITS**

- A) Enter the month and year the service(s) were performed, e.g., May 1997 for services provided in May to appear on bills dated June 1997. If the SW-2681 is being prepared for an adjustment, enter the month and year the service was performed. Write 'ADJUSTMENT' next to the month and year.

Note: Only one month can be reported in this field.

- B) Enter the appropriate schedule and addendum number you are reporting, e.g., 017-004 which is Official Communications Services (Schedule 017), Official Directory Services (Addendum 004).
- C) For audit purposes, an explanation for all adjustments must be included on/or attached to the appropriate SW2681's.
- D) Enter the affiliate number for which units are being reported, e.g., 200 would be SBC Asset Management, Inc. If this form is being used to report the monthly units used or the same item or several companies, enter the schedule and addendum number, e.g., 017-004 in B, and then enter the affiliate numbers, e.g., 200, 500, etc., in the affiliate number spaces.
- E) Enter the unit price of the item for which the usage is being reported.
- F) Enter the unit description of item for which usage is being reported, e.g., Line Items-Stock Forms.

- G) Enter the number of units billable by each section, e.g., 3 GHQ, or 3 KS, 2 MO, 1 TX. If you are reporting an adjustment, put a minus (-) or a plus (+) in front of the number of units. This indicates that you are subtracting from or adding to what was previously billed for that affiliate.
- H) This section has been provided on the SW-2681 to be used for special charges. Enter the affiliate number for whom the special charge applies, the dollar amount, Main Account and JFC, and a description of the special charge. Enter GHQ, or the appropriate state in the Section space. If the income and revenue distribution is to be the same for the special charge as the distribution for the other items in the schedule and addendum, place an X in the "Same Revenue Distribution box." If the distribution is to be different, use the appropriate Income and Revenue Distribution section provided below the special charge section. The preparation of this section is the same as for the Income and Revenue Distribution section of the Form SW-2680, Affiliate Billing Data (Section III, Pages 8 and 9, Instructions F and G).
- I) The Contract Administrator should enter their title, the date and then sign on the signature line.
- ** Forward the completed SW-2681 to the Manager-Affiliate Services (Billing), One Bell Center, by the appropriate due date on the current Affiliate Billing contract schedule.

**Instructions for Preparation of Form SW-2681A, AFFILIATE BILLING DATA -
MONTHLY UNITS BY MARKET AREA (Schedules 975, 977, 994, 114 ONLY)**

- A) Enter the month and year the service(s) were performed, e.g., April 1997 for services provided in April to appear on bills dated May 1997. If the SW-2681A is being prepared for an adjustment, enter the month and year the service was performed. Write 'ADJUSTMENT' next to the month and year.

Note: Only one month can be reported in this field.

- B) Enter the appropriate schedule and addendum number, e.g., 975-050 which is Business Service Center (Schedule 975), Cellular Radio Service - KC (Addendum 050).
- C) For audit purposes, an explanation for all adjustments must be included on/or attached to the appropriate SW-2681's.
- D) Enter the affiliate number for which units are being reported, e.g., 625 would be SB Messaging Services, Inc. If this form is being used to report the monthly units used or the same item or several companies, enter the schedule and addendum number, e.g., 975-050 in B and then enter the affiliate numbers, e.g., 625, 700, etc., in the affiliate number spaces.
- E) Enter the unit price of the item for which the usage is being reported.
- F) Enter the unit description of item for which the usage is being reported, e.g., Cellular Radio Service.

- G) Enter the number of units billable by each market area section, e.g., 3 AR, or 3 KS, 2 MO, 1 Austin. If you are reporting an adjustment, put a minus (-) or a plus (+) in front of the number of units. This indicates that you are subtracting from or adding to what was previously billed for that affiliate.
- H) This section has been provided on the SW-2681A to be used for special charges. Enter the affiliate number for whom the special charge applies, the dollar amount, Account and JFC, and a description of the special charge. Enter the appropriate market area in the Section space. If the income and revenue distribution is to be the same for the special charge as the distribution for the other items on form, then place an X in the "Same Revenue Distribution box."
- I) The Contract Administrator should enter their title, the date and then sign on the signature line.
- ** Forward the completed Form SW-2681A to the Manager-Affiliate Services (Billing), One Bell Center, 38-U-5.

SW. 28th
Box 59



AFFILIATE BILLING DATA MONTHLY UNITS BY MARKET AREAS

(SCHEDULES 975, 977, 982, 984 AND 114 ONLY)

Retain 10 Years. UNES _____

MONTH & YEAR IN WHICH SERVICE WAS PROVIDED: _____ A

SCHEDULE & ADDENDUM NUMBER: _____ B

ADJUSTMENT EXPLANATION: _____ C

AFFILIATE NUMBER _____ D UNIT PRICE \$ _____ E

UNIT DESCRIPTION _____ F

MARKET AREAS: ASX (KS) (K.C.) MOI ST. LOUIS OKLAHOMA

G UNITS PROVIDED: _____
MARKET AREAS: DALLAS HOUSOUTHEAST (SAN ANTONIO) (AUSTIN)
TEXAS SOUTH TEXAS CENTRAL & WEST TEXAS

UNITS PROVIDED: _____

ADJUSTMENT EXPLANATION: _____

AFFILIATE NUMBER _____ UNIT PRICE \$ _____

UNIT DESCRIPTION _____

MARKET AREAS: ASX (KS) (K.C.) MOI ST. LOUIS OKLAHOMA

UNITS PROVIDED: _____
MARKET AREAS: DALLAS HOUSOUTHEAST (SAN ANTONIO) (AUSTIN)
TEXAS SOUTH TEXAS CENTRAL & WEST TEXAS

UNITS PROVIDED: _____

H SPECIAL CHARGE:

ADJUSTMENT EXPLANATION: _____

AFFILIATE NUMBER _____ SECTION _____ ☐ SAME REVENUE DISTRIBUTION

SPECIAL CHARGE TO BE APPLIED TO CURRENT MONTH'S BILL: \$ _____

SPECIAL CHARGE: MAIN ACCOUNT _____ JFC _____

DESCRIPTION OF SPECIAL CHARGE: _____

*INCLUDES KANSAS AND MISSOURI 417 & 816.

APPROVED BY: _____
CONTRACT ADMINISTRATOR: _____

I TITLE: _____ DATE: _____

NOTE: A WRITTEN EXPLANATION FOR ALL ADJUSTMENTS MUST BE INCLUDED ON OR ATTACHED TO THIS FORM.

FOR INTERNAL USE ONLY

☐ Official File Copy, If Checked in Red

SW-2881A
(Rev 5/97)

MONTHLY TAX DATA REPORTING

Data Provision

Certain items provided under contract to Southwestern Bell Corporation and to its affiliates by SWBT, are subject to state, local and federal excise tax. Generally tax must be applied to the sales or lease of tangible personal property and telephone services. The Area Manager-Affiliate Transactions coordinates with the Finance-Tax Division and Legal to determine which items are taxable, what tax applies, and the taxing situs (which state, county, city and local transportation sales/use taxes apply based on where the service is performed, delivered, etc.). On the advice of the Area Manager-Affiliate Transactions, the Manager-Affiliate Services (Billing) informs the Contract Administrators which items are subject to tax, and provides an initial supply of Form SW-2681T, Affiliate Billing Tax Data. The Contract Administrator prepares the SW-2681T for those items that have been identified as subject to taxes. The SW-2681T is attached to the appropriate SW-2681 for that same item and forwarded to the Manager-Affiliate Billing. The number of units shown on the SW-2681T must agree with the number of units on the associated SW-2681 for each taxable item.

Positive Reporting

Form SW-2681T for taxable items must be provided by the fifteenth calendar day of each month even if there are no taxable units for a specific month. The schedule and addendum number and item description must be on the form with a zero "0" in the first units space.

Retain 10 years, until _____

Form SW-2681T
(Rev. 1/90)

AFFILIATE BILLING TAX DATA

Month and Year of Service Provided _____	A
Affiliate/Schedule/Addendum No. _____	B
Service Description _____	C
Unit Price _____	D
Originating City and State _____	E

Delivered at City and State

No. Items

F

6

Approved by:

Contract Administrator H Date 1

PROCEDURE FOR COMPLETING FORM SW-2681T, AFFILIATE BILLING TAX DATA

- A) Month and year the service was provided that is applicable to the taxes being reported.

Note: Only one month can be reported in this field.

- B) Affiliate, Schedule and Addendum number of the service that is subject to taxes.

- C) Description of the service subject to tax.

- D) Unit price of the service subject to tax.

- E) The city and state where the service was originated.

- F) The city(s) and state(s) where the service was delivered.

- G) The number of units of service subject to tax.

- H) The signature of the Contract Administrator.

- I) The date the SW-2681T was signed by the Contract Administrator.

AFFILIATE SERVICES CONTACTS:

**Tom Powers
Area Manager
Affiliate Services
235-9559**

Addresses all questions concerning the services provided to SBC or any of its subsidiaries comply with all legal and regulatory guidelines.

**Janice Dreyer
Manager-Affiliate
Services (Contracts)
331-1008**

Addresses all questions regarding new services. Prepares contracts, arranges for legal review and authorization by appropriate organizations. Coordinates overall pricing, costing and data provision efforts related to each contract.

**Victoria Y. Foster
Manager-Affiliate
Services (Billing)
235-4931**

Addresses all questions regarding the coordination of affiliate billing input and the rendering of the affiliate bills. Handles the temporary projects of SWBT to SBC or any of its other subsidiaries.

**Donna McRoberts
Senior Steno
235-4884**

**Julie Stennett
Senior Records Clerk
331-2610**

AFFILIATE PURCHASE CONTRACT CLAUSE
(RECORDS AND AUDIT SECTION)

In order to enable Buyer to comply with the requirements of Parts 32 and 64 of the Rules of the Federal Communications Commission pertaining to affiliate transactions and any similar state or federal requirements, Seller agrees to:

- (a) Maintain and provide to Buyer upon request complete and accurate records related to all amounts billable to and payments made by Buyer hereunder in accordance with generally accepted accounting principles.
- (b) Notify Buyer prior to destroying or otherwise permanently disposing of such records and, at Buyer's option, transfer such records to Buyer.
- (c) Provide reasonable supporting documentation to Buyer within thirty (30) calendar days after receipt of written notification from Buyer of a dispute as to the amount of any invoice.

Seller further agrees that Buyer will have the right through its accredited representatives to inspect and audit, during normal business hours, the charges invoiced to Buyer under this clause. Should Buyer request an inspection or audit, Seller will make available the pertinent records and files. This right to inspect and audit will not be limited to validating the accuracy of resources utilized by Seller and associated charges invoiced to Buyer but includes, without limitation, the right to inspect and audit:

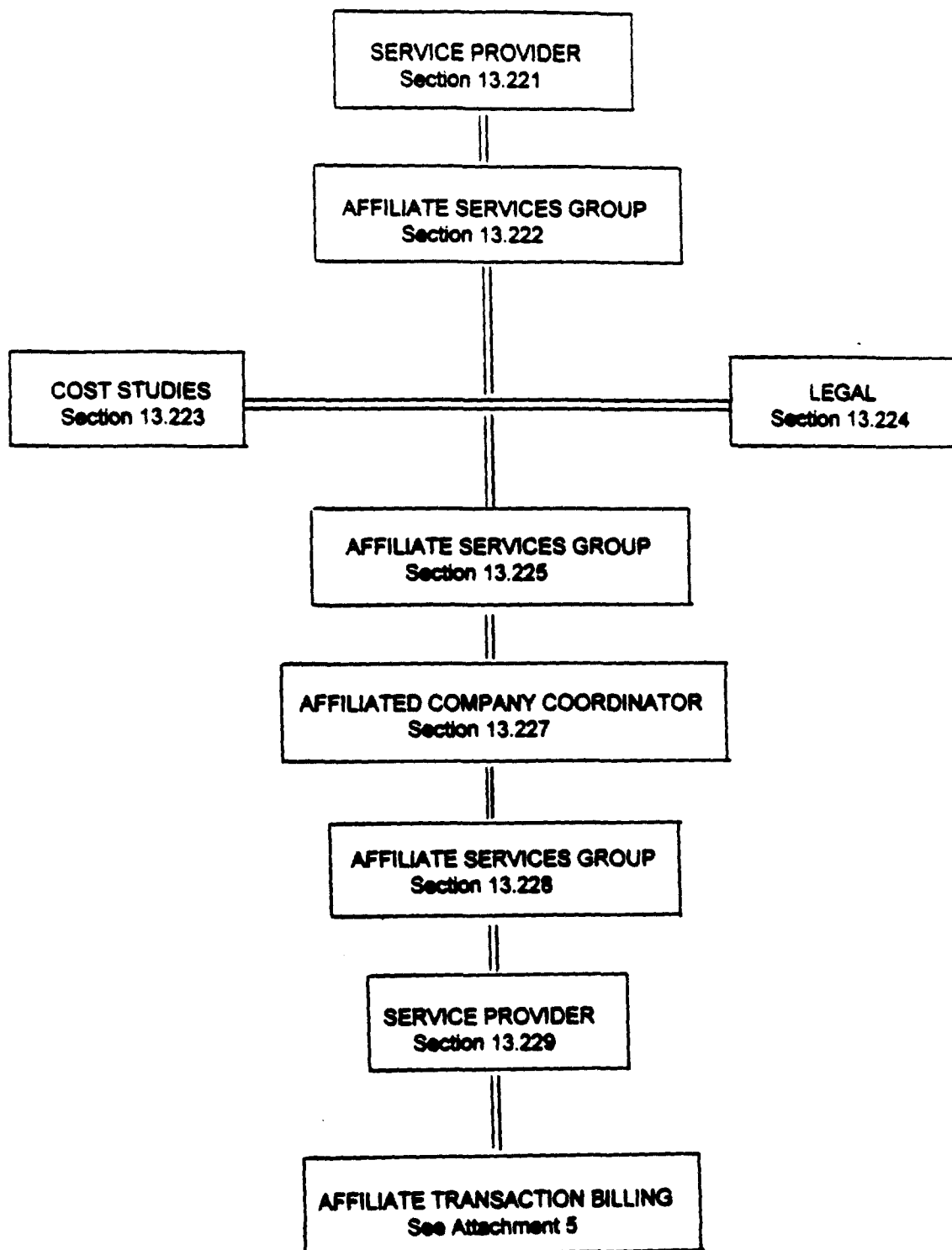
- (i) The method for determining cost data provided to Buyer.
- (ii) Any cost or pricing data, records or other information pertaining to similar sales to other, nonaffiliated buyers.
- (iii) Seller's accounting policies or practices.

Seller will include any of the aforementioned information on its invoices and other billing documents as Buyer may reasonably require.

PROPRIETARY

Not for use or disclosure outside Southwestern Bell
Telephone Company except under written agreement.

FLOW CHART FOR THE SALE OF AFFILIATE SERVICES



PROPRIETARY

Not for use or disclosure outside Southwestern Bell
Telephone Company except under written agreement.

Southwestern Bell Telephone Company
Operating Practice 125
Nontariffed Activities and Affiliate Transactions

Attachment 8
June 1997

OVERVIEW OF CC DOCKET 96-149 NON-ACCOUNTING SAFEGUARDS (272 AFFILIATE RELATIONSHIPS)			
JOINT MARKETING AND SALES	OPERATIONAL INDEPENDENCE	NONDISCRIMINATION	FULFILLMENT OF CERTAIN REQUESTS
May be provided by the BOC to the 272 affiliates without a nondiscrimination requirement	Joint ownership of transmission and switching facilities as well as the land and buildings where those facilities are located is prohibited between the BOC and the Section 272 affiliate's	To the extent the BOC provides shared administrative services to a Section 272 affiliate (except marketing and sales) the BOC must provide them to other entities on the same rates, terms, and conditions. Shared services provided by a BOC affiliate to a Section 272 affiliate do not have nondiscrimination requirements.	A BOC or its affiliate.
A BOC 272 affiliate may not market or sell information services and BOC telephone exchange services unless the BOC permits other ISPs to market and sell telephone exchange services	BOC personnel or any affiliate, excluding Section 272 affiliates, are prohibited from performing operation, installation or maintenance on Section 272 affiliate facilities. A Section 272 affiliate cannot perform such functions for the BOC.	BOCs must provide to unaffiliated entities the same goods, services, facilities and information that it provides to its Section 272 affiliate's.	Must fulfill any requests from unaffiliated entities for telephone exchange and exchange access within a period no longer than the period in which it provides such services to itself or its affiliate.
			May not provide facilities, services or information concerning its provision of exchange access to a 272 affiliate unless such facilities, services or information are available to other providers of interLATA services in that market on the same terms and conditions.
		FCC Conclusion that a BOC may not discriminate in favor of its Section 272 affiliate by:	Shall charge a 272 affiliate or impute to itself, an amount for access to its telephone exchange and exchange access that is no less than the amount charged to any unaffiliated IXC for such service.
		1. providing exchange access services to competing inter-LATA service providers at a higher rate than the rate offered to its section 272 affiliate.	
		2. providing a lower quality service to competing interLATA service providers than to its 272 affiliate.	
		3. giving preference to its affiliate's equipment in the procurement process.	May provide any interLATA and intraLATA facilities or services to its interLATA affiliate if such services or facilities are made available to all carriers at the same rates and on the same terms and conditions, as long as the costs are appropriately allocated.
		4. failing to provide advance information about network changes to its competitors.	
		Note: The FCC will issue a Further Notice on specific disclosure requirements.	

1.B

Attachment 1.B

CORPORATE PRINCIPLE 80

(Pacific Bell Affiliate Transactions Procedures, Roles & Responsibilities)

FOR INTERNAL BUSINESS PURPOSES ONLY
Not For Disclosure Outside Pacific Telesis Group and Subsidiaries

**CORPORATE PRINCIPLE 80
PACIFIC BELL AFFILIATE TRANSACTION PROCEDURES,
ROLES AND RESPONSIBILITIES**

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Effective 11/96

Corporate Principle 80
FOR INTERNAL BUSINESS PURPOSES ONLY
Not Disclosure Outside Pacific Telesis Group And Subsidiaries

**CORPORATE PRINCIPLE 80
PACIFIC BELL AFFILIATE TRANSACTION PROCEDURES,
ROLES AND RESPONSIBILITIES**

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**CORPORATE PRINCIPLE 80
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Effective 11/96

Corporate Principle 80

FOR INTERNAL BUSINESS PURPOSES ONLY
Not Disclosure Outside Pacific Telesis Group And Subsidiaries

CORPORATE PRINCIPLE 80 (PACIFIC BELL AFFILIATE TRANSACTIONS PROCEDURES, ROLES & RESPONSIBILITIES)

GENERAL

PURPOSE

The purpose of this document is to describe the policies, guidelines and reporting requirements that apply to Pacific Bell employees whenever they **are conducting business with an affiliate or subsidiary** within the Pacific Telesis Group. It has been developed to ensure compliance with the laws and regulations governing affiliate transactions and to ensure that Pacific Bell receives appropriate compensation.

BACKGROUND

The selling of assets, goods and services between affiliates is not unique to the Pacific Telesis Group. Throughout most corporations, this kind of activity occurs regularly and is referred to as Transfer Pricing.

Transfer Pricing is the valuation and billing of goods and services provided by one affiliate to another. Each affiliate implements its own procedures for pricing goods and services consistent with corporate guidelines.

REGULATORY REQUIREMENTS

Transfer Pricing is governed by various legal and regulatory bodies, the Federal Communications Commission (FCC), the California Public Utilities Commission (CPUC), and the California legislature.

External legal and regulatory involvement mandates that transactions between Pacific Bell and Affiliates cannot have an adverse impact on customers. Corporate policy was developed as a result of divestiture to conform with CPUC and FCC requirements. The principle underlying rule for both the CPUC and FCC is that cross subsidy does not occur and that the customers are not disadvantaged by transactions between Pacific Bell and its affiliate companies.

There are instances in which the regulatory bodies hold different views. An example of this is Pacific Bell Directory. The FCC views Directory as a non-regulated (non-Bell) Affiliate. For CPUC purposes, however, it is viewed as "regulated" due to imputation of its revenues to Pacific Bell. Our internal reporting requirements are generally based on the most conservative requirements. This is done to provide one set of requirements for employees to follow and to reduce the risk of non-compliance.

**FCC
Requirements**

The FCC, in its Joint Cost Order (cc Docket 86-111) requires that all direct or joint investment, revenues and expenses associated with non-regulated activities be uniquely identified. This includes time reporting, voucher processing, and plant/equipment purchases. Any use of regulated services is to be charged at tariff rates. All non-regulated amounts shall be charged at fully distributed cost, and recorded in an accounting subsidiary record. These amounts shall be removed from amounts subject to ratemaking. These rules were codified in Title 47, Part 64 of the FCC's Rules and Regulations.

**CPUC
Requirements**

Part 64 rules and requirements were largely adopted by the CPUC in its New Regulatory Framework Order (NRF). However, the CPUC has imposed many affiliate transaction rules that go beyond those set forth by the FCC (Part 64 requirements). The rules for affiliate transactions are primarily contained in three CPUC decisions: D.86-01-026, D.87-12-067, and D. 92-07-072. These rules are extremely complex. For further information contact your Transfer Pricing Administrator (Appendix D).

**SPIN-OFF OF
PAC TEL
COMPANIES**

After the spin-off of the PacTel Companies, many believed that affiliate transactions would no longer be a significant concern for Pacific Bell. However, there are still non-regulated affiliates under the Telesis umbrella that do business with Pacific Bell. These affiliates continue to increase in number. While being competitive is an urgent business priority, compliance with all regulatory requirements, especially for affiliate transactions, also continues to be a priority.

This document is written to implement the non-tariffed goods and services elements of the Pacific Telesis "Affiliate Transactions Policies, Guidelines and Reporting Requirements" (Appendix A). It meets the requirements of regulatory policies as well as defines the requirements for good business practices. All goods and services provided to Pacific Telesis Group and Affiliates must meet the requirements of these policies.

**RISK IF
STANDARD
IS NOT
ACHIEVED**

- Risk of substantial penalties such as fines and/or regulatory constraints which could be levied against Pacific Bell for non-compliance, as well as loss of credibility and influence with regulators in other regulatory proceedings..
- Risk of adverse publicity from allegations of cross-subsidization.
- Risk of substantial cost to rework and to refile/restate reports and subsidiary records.
- Risk of loss of credibility and public trust that could impact Pacific Bell's ability to retain its customers.

Effective 11/96

Corporate Principle 80

Section 1

Page 2

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